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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday December 7, 1976 CI NIDC 76-285C

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**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Tuesday, December 7, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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JAPAN: Late Cable for December 6, 1976

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[] The Japanese Liberal Democratic Party's fight to retain a majority of officially endorsed candidates in the lower house has fallen short. With unofficial returns in on Monday for all 511 seats, 249 LDP candidates have been elected, just below the 256 needed. Independent candidates, however, did surprisingly well; 21 were elected, many of them conservatives who may affiliate with the LDP in the new Diet. []

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EC: Late Cable for December 6, 1976

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[] //The nine EC heads of government, meeting in The Hague last week, failed to come to grips with most problems now affecting the Community. Expectations, on the other hand, had not been high.//

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[] //The gloomy economic situation in Europe and the political uncertainty in several EC states deflected attention from major economic and institutional problems besetting the Community. The failure of the Nine in particular to address pressing economic and monetary problems and to develop a common position on North-South issues can be attributed in part to a desire to defer any action until president-elect Carter takes office.//

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[] //Several EC members, in fact, urged the Nine to call for another big-power economic summit early next year that would include the US and Japan. The suggestion reportedly was criticized by West German Chancellor Schmidt, who argued that bilateral meetings with the new US president should have priority and only thereafter should a summit be held.//

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[] //No decision was taken, but French President Giscard in a subsequent press conference expressed his feeling that such an economic summit should be held, presumably in Tokyo. He suggested that the nine EC leaders gather again just prior to the meeting. The exclusion of the smaller EC states from previous summits has always been a contentious issue within the Community, and Giscard's proposals are in line with commitments made by the larger EC members following the Puerto Rican summit.//

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25X1 [] //EC leaders decided to delay working out a common position on North-South issues, probably until they meet again next February in Brussels. While they favor postponement of the December session of the Paris talks on international economic cooperation, they decided not to issue a statement calling for a postponement.//

25X1 [] //Chancellor Schmidt, nevertheless, took the opportunity to argue that the Nine should view the various issues involved in the North-South dialogue in a broader context, taking into consideration the probable impact of an oil price rise and the current economic needs of some EC members. The statement on the Paris talks issued by EC leaders signals to the developing states and the oil exporters that the EC intends to wait until the size of the OPEC oil price rise is known and the new US administration makes known its policies before the Community considers any concrete action.//

25X1 [] //The French appear to have been the chief obstacle to efforts to implement recommendations contained in Belgian Prime Minister Tindemans' report on ways to strengthen European unity. A Belgian official attributes the decision to issue a bland statement on the subject--calling simply for the Commission to make an annual progress report--to Giscard's desire to avoid commitments to the Community, which would open him to further political criticism at home.//

25X1 [] //EC officials cite as positive achievements EC approval of a relatively mild declaration calling on Japan to continue efforts to correct its trade imbalance with the Community and the announcement of a new, quite capable EC Commission.//

25X1 [] //Former UK home secretary Roy Jenkins will head the Commission, and the other 12 commissioners are likely to support his objective of seeing the Commission play a more activist role when it takes office on January 6. The persisting economic and political problems facing many of the Nine, however, will restrict such efforts by the Commission. []

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JAPAN: National Election Results

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[redacted] Japan's ruling Liberal Democratic Party will retain control of the government despite the sharp setback it suffered at the polls on Sunday. The party's officially endorsed candidates fell seven seats short of winning a majority--256 seats--in the Diet's lower house. Eight conservative independents who won seats have already joined the Liberal Democratic Party, ensuring that it will maintain its majority in the Diet. Six more independents are likely also to join the ruling party.

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[redacted] Even with the addition of all 14 conservative independents, the Liberal Democrats will still end up several seats short of the 271 needed to maintain effective control over all the committees--as well as the timing and mechanics of legislation--in the lower house. The party will now have to bargain and compromise with the conservative-minded New Liberal Club--a group of younger dissidents who bolted the Liberal Democratic Party earlier this year--or with the Democratic Socialists, the most moderate of the opposition parties.

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[redacted] Despite the Liberal Democratic losses, the election returns do not indicate any change in the basically conservative sentiment of most Japanese voters. Overall, the share of the popular vote won by conservative candidates--including independents and members of the New Liberal Club--rose to 51 percent, slightly above the 1972 level.

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[redacted] An important change was apparent, however, in a swing toward more youthful and independent candidates. The New Liberal Club won seats for 12 new candidates and retained those of its five incumbents. Conservative independents did well, winning 18 races--five more than in 1972.

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[redacted] The returns also reflect the voters' rejection of militant opposition candidates in favor of the middle-of-the-road parties. The largest opposition gains were registered by

the Clean Government Party, which regained its second spot among opposition parties by winning 55 seats. The Communists won only 17 seats, compared to 39 in 1972, once more becoming the smallest opposition party in the lower house.

25X1 [] The Japanese Socialists, the largest opposition party, increased their Diet contingent to 123 members--a gain of five seats over 1972. Their relatively unimpressive showing was due in part to gains by the moderate Democratic Socialist Party, which added 10 members to the 19 it had before the election.

25X1 [] The election results have sharply undercut Prime Minister Miki's effort to remain in office. Miki has said that he intends to stay on in order to carry out needed party reforms, but at this point almost all Liberal Democratic leaders--including Miki's ally, former party secretary general Nakasone--have called on the Prime Minister to step down.

25X1 [] The party must choose its new slate of cabinet officers and its candidate for prime minister fairly soon. Barring Miki's agreement to resign, a move against him will almost certainly be made before December 20, when the Diet is scheduled to reconvene for its post-election session.

25X1 [] Miki may hope that his good relations with the New Liberal Club will work to his advantage and that at least some of the blame for the party's poor performance will fall on former Deputy Prime Minister Fukuda, who openly campaigned against him during the election. Even so, the long-standing sentiment against Miki within the party and the election setback certainly cloud the Prime Minister's prospects. [] 25X1

CUBA: Government Changes

25X1 [] The basic power structure in Cuba remains virtually unaltered despite the far-reaching institutional changes the government has undergone in the past week. Fidel Castro--Cuba's new president--is in supreme command, and his younger brother Raul is the unchallenged number-two man in the regime.

25X1 [] Osvaldo Dorticos was removed not only from the presidency, which he had held since 1959, but also from his post as chief of the Central Planning Board. The board is now the charge of a young Soviet-trained protege of Raul Castro's. Dorticos remains on the 31-member Council of State and is a vice president of the newly appointed Council of Ministers. Health problems, rather than political difficulties, are the probable explanation for his less prominent standing.

25X1 [] One significant change is the removal of Raul Roa as foreign minister in favor of Isidoro Malmierca Peoli. Roa's age--he will be 70 in April--and health were probably factors in the change. Malmierca is 46, has traveled extensively abroad, speaks English, and was a member of the pre-Castro communist party. If the Cuban regime intends to try to improve relations with the US, it might find Malmierca a more appropriate negotiator than the acerbic, bitterly anti-US Roa.

25X1 [] The rest of the leaders continue to be those who have been close to Castro for years. All of the members of the party's Political Bureau, for example, are members of the governing Council of State.

25X1 [] The chiefs of the various mass organizations were also made members of the Council of State, but this is merely a formalization of the close relationship they previously had with the regime leadership. The second- and third-ranking officials of the Armed Forces Ministry, both of whom served in Angola, have seats on the Council of State.

25X1 [] Veteran Communist Blas Roca and Raul Roa were "elected" president and vice president, respectively, of the National People's Assembly, which was in session on December 2 and 3. The short duration of the Assembly's session, in spite of the amount of business at hand, indicates that real authority lies with the Council of State, even though the Assembly is theoretically the senior of the two bodies.

25X1 [] The Council of State, of which Fidel Castro is president, functions as the supreme organ of government when the National People's Assembly is not in session. Castro clearly has no intention of allowing the 481-member Assembly to play a major role in day-to-day governing. []

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USSR-CHINA: General Gankovsky Replaced

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[REDACTED] //Moscow's number-two representative at the Sino-Soviet border talks in Peking, General Gankovsky, a border guard officer, is being replaced by General Lobanov. Lobanov, who outranks Gankovsky, is chief of staff of the border guards and probably will retain that post along with his new position in Peking.//

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[REDACTED] //Lobanov's appointment could be only the first move in a series of personnel changes Moscow is planning to underscore its desire for a fresh start in Sino-Soviet relations. Soviet Ambassador to China Tolstikov and chief Soviet border negotiator Ilichev have both been in Peking almost as long as Gankovsky, and they are probably discredited in Chinese eyes by their association with such a sterile period in Sino-Soviet relations.//

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[REDACTED] //The timing of Tolstikov's removal may depend on how soon China sends its ambassador to the USSR. The last Chinese ambassador in Moscow ended his tour in March; although the Soviets agreed shortly thereafter to a successor, he has not yet arrived in the USSR. The Chinese maintain officially that the ambassador-designate is ill, but Moscow may suspect that the Chinese are deliberately stalling.//

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[REDACTED] In conversations with US and other officials, Chinese diplomats continue to express skepticism about the prospects for meaningful new Soviet proposals. One Chinese diplomat in Moscow claimed recently that Soviet "conciliatory" gestures were actually aimed more at Washington than Peking.

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[REDACTED] Another Chinese diplomat did not completely rule out the possibility of movement, however, noting that progress depends on what Moscow's chief negotiator--Ilichev, who recently returned to Peking--has to offer.

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[REDACTED] Press reports indicate that the Soviet and Chinese negotiators had their first plenary session on Friday, and that friends of the Soviets in Peking are already spreading the word that the USSR presented the Chinese with a new draft treaty and may even have made a new proposal for troop withdrawals. [REDACTED]

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MEXICO: Situation in Sinaloa

25X1 [] The new Lopez Portillo government in Mexico apparently has reached an agreement with protesting peasants in the northwest state of Sinaloa. According to press reports, peasant leaders have agreed to withdraw within 48 hours from the fertile land that they invaded last week.

25X1 [] Government officials reportedly are trying to persuade landowners in Sinaloa to cede an additional 5,000 hectares to the peasants; last month, Sinaloa landowners gave peasants about 13,500 hectares.

25X1 [] Two peasant organizations--a leftist group and one backed by the government--appear to be vying for supremacy. The leftist group asserts that the government organization received the biggest portion of the land ceded last month.

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